

1 IN THE UNITED STATES DISTRICT COURT  
2 FOR THE EASTERN DISTRICT OF PENNSYLVANIA

3 NATIONAL HEALTHCARE : CIVIL ACTION  
4 SERVICES, INC., :  
5 Plaintiff, :  
6 -vs- :  
7 PENN TREATY AMERICAN :  
8 CORPORATION, et al., : NO. 02-CV-3600  
9 Defendants. : (MM)

10 Tuesday, October 14, 2003

11 Realtime videotape  
12 deposition of NEAL A. FORMAN, in his  
13 individual capacity, and Rule 30 (b)(6)  
14 realtime videotape deposition of NATIONAL  
15 HEALTHCARE SERVICES, INC., taken through  
16 its representative NEAL A. FORMAN, held  
17 in the law offices of BALLARD, SPAHR,  
18 ANDREWS & INGERSOLL, LLP, 1735 Market  
19 Street, 42nd Floor, Philadelphia,  
20 Pennsylvania 19103, on Tuesday, October  
21 14, 2003, beginning at 9:33 a.m., before  
22 Kimberly A. Cahill, a Registered  
23 Professional Reporter and Approved  
24 Reporter of the United States District  
Court.

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PLAINTIFF'S  
EXHIBIT

B

PENGAD-Bayonne, N. J.

NEAL A. FORMAN

32

1 relieved of any responsibility, so  
2 he is -- to my knowledge, Michael  
3 Callahan has never had any say in  
4 the running of this company, ever.

5 BY MR. YOHAI:

6 Q. I think you're answering a  
7 different question.

8 A. Okay.

9 Q. My question --

10 A. Okay.

11 MR. LYONS: Objection.

12 BY MR. YOHAI:

13 Q. If you can concentrate on my  
14 question, my question was, is it your  
15 understanding that Mr. Callahan currently  
16 has 50 percent interest, a voting  
17 interest or a nonvoting interest in  
18 National Healthcare Services?

19 A. To my knowledge, to this  
20 day, as of this hour, I believe he still  
21 has a nonvoting interest --

22 Q. A nonvoting --

23 A. -- because I'm not -- if  
24 this was executed, then I would say

UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF PENNSYLVANIA

-----x

NATIONAL HEALTHCARE SERVICES, : CIVIL ACTION  
INC., :

Plaintiff, : NO. 02-CV-3600  
: (MM)

VS. :

PENN TREATY AMERICAN :  
CORPORATION, et al., :  
Defendants. :

COPY

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Videotaped deposition of  
HERBERT E. SCHWARTZ, held at the law  
offices of BALLARD, SPAHR, ANDREWS &  
INGERSOLL, LLP, 1735 Market Street, 51st  
Floor, Philadelphia, Pennsylvania 19103,  
on Monday, September 29, 2003, beginning  
at 9:04 a.m., before Debra J. Weaver, a  
Federally Approved Registered  
Professional Reporter, Certified Realtime  
Reporter and Certified Shorthand Reporter  
of NJ (No. XI 01614) and Delaware (No.  
138-RPR, Expiration 1/13/05).

ESQUIRE DEPOSITION SERVICES  
1880 John F. Kennedy Boulevard  
15th Floor  
Philadelphia, PA 19103  
(215) 988-9191

1 Q. Yes. Somebody who is going  
2 to be -- who has some of the stock of the  
3 company.

4 A. No, no.

5 Q. Okay. What if it brought on  
6 a principal, putting aside whether the  
7 person has a small percentage of the  
8 company, but if it brought on somebody  
9 like yourselves, Neal Forman and Herb  
10 Schwartz as a principal of the company,  
11 would that constitute a change in  
12 management of the company, given that the  
13 two of you were in charge of the company?  
14 If you brought on another person, might  
15 that be a change in management?

16 A. I consider a change of  
17 management when you -- when a person is  
18 employed by the company or has ownership  
19 in the company and has certain  
20 responsibilities to manage the company,  
21 if that's what you mean. There was no  
22 other management in this company other  
23 than Neal and myself.

24 Q. Were there other principals

1 fulfillment and service job. His name is  
2 Mike Callahan."

3 A. Who is this memo from?

4 Q. It's from Web Barth.

5 A. From Web. Okay.

6 Q. "First of all, we have a new  
7 exec helping to manage our fulfillment  
8 and service job. His name is Mike  
9 Callahan." Do you see that?

10 A. Okay. Yes.

11 Q. So was Mike Callahan an exec  
12 at Web Barth's company? He was a new  
13 exec somewhere?

14 A. You know, I don't know. All  
15 I know is he loaned Web money and he  
16 worked -- started working with Web Barth  
17 on -- relating to our -- what Web was  
18 doing for our program and any other thing  
19 that Web Barth may have been involved in.  
20 I don't know. But he was not an  
21 executive employee or anything else with  
22 National Healthcare Services.

23 Q. Well, isn't it a fact that  
24 Mr. Callahan purchased 250 shares of

1 National Healthcare Services, Inc.?

2 A. He purchased 250 shares? He  
3 did -- you know what, I don't want to  
4 play ignorant on this, but I'll tell you  
5 what I do know, but Neal Forman knows the  
6 whole deal because he and Neal Forman,  
7 like I said, were friends and had many  
8 different ventures and partnerships, I  
9 think, together, and Neal wanted to sell  
10 some of his National Healthcare Services  
11 stock to Mike Callahan. I don't know how  
12 it happened. Again, I was against that.  
13 And, finally, I did okay the issue -- for  
14 Neal to issue him stock, part of his  
15 stock, part of Neal Forman's stock,  
16 non-voting-only stock, only non-voting,  
17 and that Michael Callahan would not have  
18 any management or any say-so in the  
19 company whatsoever.

20 Q. Okay. What was the value  
21 that Mr. Callahan paid for his 250 shares  
22 of the company?

23 A. That's between he and Neal  
24 Forman. Neal issued the shares -- Neal's

1 the situation by Neal Forman and Herb  
2 Schwartz, the other two principals."  
3 Okay.

4 Q. Do you wish to change your  
5 testimony that Mr. Callahan was not a  
6 principal at this point in time or is Mr.  
7 Callahan wrong that he was a principal?

8 MR. LYONS: Objection.

9 THE WITNESS: To my  
10 knowledge, he was never an  
11 employee and never paid a fee from  
12 National Healthcare Services or  
13 was he voted into the company as  
14 an officer, nor did he ever have  
15 any control or voting stock or  
16 say-so in the company. That's to  
17 my knowledge at the time I was  
18 there.

19 BY MR. YOHAI:

20 Q. And can you think of a  
21 reason why Mr. Callahan is representing  
22 himself to be a principal of the company?

23 A. Maybe he was referring to  
24 his association with Web Barth.

1 UNITED STATES DISTRICT COURT  
2 EASTERN DISTRICT OF PENNSYLVANIA

3 -----X  
4 NATIONAL HEALTHCARE SERVICES, : CIVIL ACTION  
INC., :  
5 Plaintiff, : NO. 02-CV-3600  
: (MM)  
6 VS. :  
: :  
7 PENN TREATY AMERICAN :  
CORPORATION, et al., :  
Defendants. :  
8 -----X

9 Videotaped deposition of  
10 MICHAEL J. CALLAHAN, held at the law  
11 offices of BALLARD, SPAHR, ANDREWS &  
12 INGERSOLL, LLP, 1735 Market Street, 51st  
13 Floor, Philadelphia, Pennsylvania 19103,  
14 on Wednesday, October 15, 2003, beginning  
15 at 9:09 a.m., before Debra J. Weaver, a  
16 Federally Approved Registered  
17 Professional Reporter, Certified Realtime  
18 Reporter and Certified Shorthand Reporter  
19 of NJ (No. XI 01614) and Delaware (No.  
20 138-RPR, Expiration 1/13/05).  
21  
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23

24 Job No: 153616

COPY



1 break.

2 MS. SPECTOR: Okay.

3 THE VIDEOGRAPHER: Stand by.

4 The time is 3:57 p.m. Off the  
5 record.

6 (Off the record.)

7 THE VIDEOGRAPHER: The time  
8 is 4:00 p.m. We are back on the  
9 record.

10 BY MR. RIVERA-SOTO:

11 Q. Mr. Callahan, are you now or  
12 have you ever been an officer of National  
13 Healthcare Services?

14 A. No.

15 Q. Are you now or have you ever  
16 been a director of National Healthcare  
17 Services?

18 A. No.

19 Q. Are you now or have you ever  
20 been in management charge of National  
21 Healthcare Services?

22 MS. SPECTOR: Objection.

23 THE WITNESS: No.

24 BY MR. RIVERA-SOTO:

1 Q. Have you at any time  
2 communicated to anyone at Penn Treaty  
3 that you are either an officer, director  
4 or in management charge of National  
5 Healthcare Services?

6 MS. SPECTOR: Objection.

7 THE WITNESS: No.

8 BY MR. RIVERA-SOTO:

9 Q. Has anyone at Penn Treaty  
10 ever asked you if you are an officer,  
11 director or in management charge of  
12 National Healthcare Services?

13 A. No.

14 Q. To your knowledge, has Penn  
15 Treaty ever asked anybody whether you  
16 were an officer, director or in  
17 management charge of National Healthcare  
18 Services?

19 MS. SPECTOR: Objection.

20 THE WITNESS: Not to my  
21 knowledge, no.

22 BY MR. RIVERA-SOTO:

23 Q. To your knowledge, did you  
24 ever represent to anybody -- not to your

1 knowledge.

2 Did you ever represent to  
3 anyone at Penn Treaty that you had  
4 acquired either all or substantially all  
5 of the assets of National Healthcare  
6 Services?

7 A. No.

8 Q. Did you ever represent to  
9 anybody at Penn Treaty that you had  
10 received a majority of the stock of  
11 National Healthcare Services?

12 A. No.

13 Q. Did anybody at Penn Treaty  
14 ever ask you whether you had received a  
15 majority -- all or substantially all of  
16 the assets of National Healthcare  
17 Services?

18 A. No.

19 Q. Did anyone at Penn Treaty  
20 ever ask you whether you had received a  
21 majority of the stock of National  
22 Healthcare Services?

23 A. No.

24 Q. To your knowledge, has Penn

1 Treaty ever asked anybody whether you had  
2 received all or substantially all of the  
3 assets of National Healthcare Services?

4 MS. SPECTOR: Objection.

5 THE WITNESS: Not to my  
6 knowledge, no.

7 BY MR. RIVERA-SOTO:

8 Q. To your knowledge, has Penn  
9 Treaty ever asked anybody whether you had  
10 received a majority of the stock of  
11 National Healthcare Services?

12 MS. SPECTOR: Objection.

13 THE WITNESS: No.

14 BY MR. RIVERA-SOTO:

15 Q. Do you know what basis Mr.  
16 Sadler had when he wrote the letter of  
17 termination?

18 MS. SPECTOR: Objection.

19 THE WITNESS: He couldn't  
20 have had any basis. There was no  
21 basis to be had.

22 MR. RIVERA-SOTO: I have  
23 nothing further of this witness.

24 MS. SPECTOR: The deposition